RALEIGH-DURHAM AIRPORT AUTHORITY
BUDGET WORK SESSION
MINUTES
March 13, 2003

Chairman Gibbs presided. Present: members Clancy; Sanders; Teer; Toler; Weeks; Winston and Zaytoun. Also present: Airport Director Brantley; Deputy Director, Operations Shackelford; Major Capital Improvements Program Director Powell; Deputy Director, Facilities Engineering & Maintenance Pittman; Deputy Director, Finance, Business & Administration Gill; Customer Service & Organizational Support Director Damiano; Administration Director Umphrey; Finance Director Barritt; Director of Parking Scialdone; Senior Program Manager Edmondson; Program Manager Quesenberry; Maintenance Manager Fulp; Properties & Insurance Officer Quinn; Emergency Services Manager Thompson; Law Enforcement Manager Waters; Assistant Law Enforcement Manager Tippett; Parking Administration Manager Slayton; Internal Auditor Jordan; Communications Manager Hamlin; Communications Specialist Dunton; Public Transportation Supervisor Kiser; Accountant Marion; Business Development Officer Hairston; Information Technology Manager Schiller; Network Administrator King; Field Maintenance Supervisor Thompson; Facilities Maintenance Supervisor Herndon; Financial Analyst Golden; Training Officer Hairston; Website Administrator Hogan and Executive Assistant Mitchell.

Guests: Vicki Hyman, The News & Observer.

Chairman Gibbs opened a Public Hearing on the drafts of the proposed FY 2003-04 Operating and Capital Budgets. No one asked to speak. Since there were no comments, the hearing was closed.

Chairman Gibbs appointed member Toler as Acting Secretary for the meeting.

Airport Director Brantley opened the presentation of the proposed Operating and Capital Budgets for the fiscal year to begin April 1, 2003 and end March 31, 2004. The Operating Budget is an annual budget under which the authorization for expenditures expires at the end of the fiscal year and does not carry over into the succeeding year. Project budgets in the Capital Budget are cumulative budgets that do not expire but carry over from year to year as long as the project is authorized. They may be increased or decreased (so long as the funds actually spent or encumbered are less than or equal to the budget) at any time.

Fiscal Year 2002-03 has been a second consecutive difficult year due to the continuing effects of the substantial decline in business travel as a result of general economic conditions nationally and the impact on air travel and the airline industry of the September 11, 2001 terrorist attacks. Security requirements imposed by the Transportation Security Administration substantially increased personnel-related operating costs without any offsetting reimbursement. They also caused a significant reduction in public parking revenues due to the surface hourly parking and part of the structural parking in the terminal area having to remain closed until December 20, 2002. In addition, Midway Airlines' second termination of flight operations in mid-July and a continuing substitution by several airlines of regional jets (operated by affiliated carriers) for larger mainline aircraft caused both a loss of available seats and a reduction in the landed weight to which the landing fee applies.

The Authority's operating costs increased considerably in 2002, primarily due to the added civil aviation security requirements mandated by the federal government, particularly those requiring devotion of more law enforcement and traffic control resources to security duties. In order to comply, current staff had to be augmented by off-duty police officers and temporary personnel to assist with terminal curbside management, taxicab dispatching, inspection of parking vehicles and vehicles and personnel entering the airside secure area, patrol of the terminals and the airport perimeter, security checkpoint presence following the National Guard's departure in May, and other duties. Those costs increased further during the short period in February that inspection of vehicles approaching the terminals was required due to elevation of the national terrorism threat level.

While the reduction in parking activity permitted the use of Park & Ride Lots 2 and 5 to be suspended other than during the year-end holiday season, three shuttle bus routes continued to be operated and lease payments on 16 shuttle buses continued even though that number now is more than sufficient (four will be returned to the lessor in September, reducing the total to 12). Substantial contractor and staff cost also was incurred to deal with the ice storm on December 3-4, 2002 and the three events of frozen precipitation in January-February 2003. Utilities expenses also were much greater than expected, particularly for electric power, and natural gas and motor fuel costs also recently have increased dramatically.

Spending on capital improvements again was kept well below expected outlays. In large part, however, this always is due to contractors making slower than scheduled progress on work. The only major project that was active during the year was the construction of Parking Garage 4, the cost of which is financed by revenue bonds. That work proceeded on schedule. The net effect is that the year will end with continued maintenance of a strong cash position. FY 2003-04 promises to be a very active year for construction activities, however, thus the need for financial support of capital improvements activities will be substantial.

Deputy Director Gill reported that the Authority with start the fiscal year in an excellent cash position. Approximately $42 million in operating funds and reserves and $63 million in bond construction funds will be on hand. Factors for forecast growth in operating revenue were discussed, and included the following: increased landing fees due to under-recovery of airfield costs during the past two years as a result of airline bankruptcies and more flights being operated with regional jet aircraft; increased fuel flowage fees due to greater corporate aircraft use; more and better terminal food/beverage and retail concessions, mostly in Terminal A; revenue from janitorial services provided the airlines for cleaning their exclusive spaces; growth in South Cargo complex rental revenues; increased revenue generated by LSG Sky Chefs' flight kitchen; increased rent paid by car rental agencies; and increased public parking revenues. Several revenue streams are expected to decrease: charges to American Eagle and US

Airways Express for law enforcement and other security services associated with their Washington National Airport flights will be nearly 40% less than budgeted last year due to only two versus three carriers now offering those flights and costs being less than originally estimated; and a 90% decrease in taxicab revenues is expected as a result of the taxicab operation being taken over by the Stand Manager on January 1, 2003 (with a commensurate reduction in dispatching costs).

Airport Director Brantley reviewed the proposed additions to, deletions from and changes in the Capital Budget. He also summarized the Budget Ordinance (whose enactment is requested by the Local Government Commission) and the Project Ordinances that accompany the Capital Budget. Deputy Director Gill briefly reviewed the calculations of Landing Fees and Terminal Rents.

The draft FY 2003-04 Operating and Capital Budgets were recommended for adoption and will be brought before the Authority for consideration at its regular meeting on March 20, 2003.